

NESS COUNTY CONSERVATION DISTRICT
Ness City, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2007

NESS COUNTY CONSERVATION DISTRICT
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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Ness County Conservation District
Ness City, Kansas 67560

We have audited the accompanying financial statements of **Ness County Conservation District** as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, **Ness County Conservation District** prepares its financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Ness County Conservation District**, as of December 31, 2007, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **Ness County Conservation District**, as of December 31, 2007, their respective cash receipts and disbursements for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran, & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

June 3, 2008

NESS COUNTY CONSERVATION DISTRICT
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended December 31, 2007

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Funds							
Operations Fund	\$ (2,240)	-	55,343	50,271	2,832	5,292	8,124
Special Revenue Fund							
Building Fund	16,000	-	594	594	16,000	-	16,000
Proprietary Fund							
Enterprise Fund	312,978	-	341,399	369,257	285,120	37,783	322,903
Total Government	\$ 326,738	-	397,336	420,122	303,952	43,075	347,027
Composition of Cash:							
							\$
							179,357
Checking Account - First State Bank, Ness City							8,124
Checking Account - First State Bank, Ness City							9,000
Certificate of Deposit - First State Bank, Ness City							34,940
Money Market Account - First State Bank, Ransom							15,606
Checking Account - Farmers Bank & Trust, Bazine							100,000
Certificate of Deposit - Farmers Bank & Trust, Bazine							
Total Government							\$ 347,027

The notes to the financial statements are an integral part of this statement.

NESS COUNTY CONSERVATION DISTRICT
Operations Fund
Statements of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	<u>2007</u>	<u>2006</u>
Cash Receipts		
Appropriations - County	\$ 18,000	16,920
Appropriations - State	16,920	10,917
NRCS Buffer Initiative Grant	8,510	9,250
Donations	1,500	1,000
Federal Aid	772	918
Interest	141	125
Transfers In	<u>9,500</u>	<u>7,000</u>
Total Cash Receipts	<u>55,343</u>	<u>46,130</u>
Expenditures		
Salaries and Wages	43,359	41,943
Health Insurance	6,887	6,412
Bank Service Charges	<u>25</u>	<u>15</u>
Total Expenditures	<u>50,271</u>	<u>48,370</u>
Receipts Over (Under) Expenditures	5,072	(2,240)
Unencumbered Cash, January 1	<u>(2,240)</u>	<u>-</u>
Unencumbered Cash, December 31	<u>\$ 2,832</u>	<u>(2,240)</u>

The notes to the financial statements are an integral part of this statement.

NESS COUNTY CONSERVATION DISTRICT
 Building Fund
 Statements of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2007
 (With Comparative Totals for the Year Ended December 31, 2006)

	<u>2007</u>	<u>2006</u>
Cash Receipts		
Interest	\$ 705	594
Expenditures		
Transfers Out	<u>705</u>	<u>594</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	<u>16,000</u>	<u>16,000</u>
Unencumbered Cash, December 31	<u><u>\$ 16,000</u></u>	<u><u>16,000</u></u>

The notes to the financial statements are an integral part of this statement.

NESS COUNTY CONSERVATION DISTRICT
Enterprise Fund
Statements of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2007
(With Comparative Totals for the Year Ended December 31, 2006)

	<u>2007</u>	<u>2006</u>
Cash Receipts		
Grass Seed Sales	\$ 274,856	459,558
Drilling of Grass Seed	49,925	101,008
Flag Sales	21	18
Trees	1,756	3,039
Weed Barrier	6,174	3,698
Interest	7,284	6,269
Information and Education	112	167
Transfers In	705	594
Other	566	793
Total Cash Receipts	<u>341,399</u>	<u>575,144</u>
Expenditures		
Contract Labor	47,397	85,707
Grass Seed	286,644	376,386
Information and Education	2,242	981
State and National Dues	1,446	1,536
Supervisor/Employee Expense	5,243	2,907
Annual Meeting	1,886	2,590
Office Supplies	413	265
Legal & Professional	1,250	1,100
Equipment	2,127	4,340
Rent	830	980
Insurance	3,911	3,492
Weed Barrier	4,098	1,560
Other	2,270	1,327
Transfers Out	9,500	7,000
Total Expenditures	<u>369,257</u>	<u>490,171</u>
Receipts Over (Under) Expenditures	(27,858)	84,973
Unencumbered Cash, January 1	<u>312,978</u>	<u>228,005</u>
Unencumbered Cash, December 31	<u>\$ 285,120</u>	<u>312,978</u>

The notes to the financial statements are an integral part of this statement.

NESS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies

The **Ness County Conservation District** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

A. Financial Reporting Entity

The **Ness County Conservation District** is a municipality governed by an elected five-member board under K.S.A. 75-1117. The Conservation District receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources. These financial statements present the financial position of **Ness County Conservation District**.

B. Basis of Presentation - Fund Accounting

The accounts of the Conservation District are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained and consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the Conservation District for the year 2007.

Governmental Funds

General Fund - Operations Fund - To account for all tax appropriated funds from the County of Ness, Kansas and the State Conservation Commission and other unrestricted income not accounted for in another fund.

Special Revenue Fund - Building Fund

To account for funds set aside for the entity's building.

Proprietary Fund

Enterprise Fund - To account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The **Ness County Conservation District** has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

NESS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies (cont.)

D. Departure from Accounting Principles Generally Accepted in the United States

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expenses; liabilities such as deferred revenue, matured principal, interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings, and equipment owned by the Conservation District are not presented in the financial statements. Also, general long term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

E. Accounting for Capital Assets and Depreciation

The Conservation District does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds.

G. Deposits

The Conservation District follows the practice of pooling cash of all funds. Each fund's portion of total cash is summarized by fund type in the Summary of Cash Receipts, Expenditures, and Unencumbered Cash.

At December 31, 2007, the Conservation District had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Conservation District. The statute requires banks eligible to hold the Conservation District's funds have a main or branch bank in the county in which the Conservation District is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Conservation District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Conservation District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Conservation District has no investment policy that would further limit its investment choices.

NESS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies (cont.)

G. Deposits (cont.)

Concentration of credit risk. State statutes place no limit on the amount the Conservation District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Conservation District's deposits may not be returned to it. State statutes require the Conservation District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Conservation District did not use "peak periods" during 2007. All deposits were legally secured as of December 31, 2007.

At December 31, 2007, the District's carrying amount of deposits was \$347,027 and the bank balance was \$336,365. Of the bank balance, \$250,546 was covered by federal depository insurance and \$85,819 was collateralized with securities held by the pledging financial institutions agents in the Conservation District's name.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

I. Compensated Absences

Vacation leave is granted on the basis of 104 hours for the first three years, 156 hours after three years, and 208 hours after 15 years of employment. Such leave will not be accumulative from one year to the next; thus, no accrued vacation liability has been presented for the year 2007.

Sick leave is accrued ten days per calendar year up to a maximum of 60 days for all full time employees. The accrued potential sick leave as of December 31, 2007 was \$2,533.

J. Defined Benefit Pension Plan

Plan Description - The Conservation District participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on the annual increases in the contribution rate for KPERS employers. The employer rate established by statute for the calendar year was 5.31%. The Conservation District employer contributions to KPERS for the years ending December 31, 2007, 2006, and 2005 were \$1,567, \$1,802, and \$1,201 respectively, equal to the required contributions for each year.

NESS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2007

K. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

2. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions and asset acquisitions as authorized by Kansas Statutes. The Conservation District's operating transfers and statutory authority for the year ended December 31, 2006 were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>2005</u>
Building	Enterprise	KSA 2-1407b	\$ 705
Enterprise	Operations	KSA 2-1407b	9,500
			<u>\$ 10,205</u>

3. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Risk Management - Claims and Judgements

The Conservation District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Conservation District carries commercial insurance for risk of loss, including property, general liability, and fidelity bond coverage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. As of December 31, 2007, the financial statements do not include liabilities for anticipated costs.

5. Litigation

The Conservation District is party to various legal proceedings, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the Conservation District.

NESS COUNTY CONSERVATION DISTRICT

Notes to Financial Statements

December 31, 2007

6. Grants and Shared Revenues

The Conservation District participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Conservation District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Conservation District, any liability for reimbursement, which may arise as the result of an audit, is not believed to be material.

7. Comparative Data

Comparative data for the prior year has been presented in Statement 2 in the accompanying financial statements in order to provide an understanding of changes in the Conservation District's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.